

Lt. Gov. Abramson, Distinguished Ladies and Gentleman of the Blue Ribbon Commission on Tax Reform:

My name is Mack Bushart and I am the Executive Director of the KY Property Valuation Administrator's Association. Thank you for allowing us the opportunity to speak. Our association represents the interests and issues that affect all 120 locally elected Property Valuation Administrators.

The PVAs are constitutionally responsible for assessing all real and tangible property at 100 % of its fair cash value. The annual assessment cycle of discovering, measuring, sketching, photographing, digitally mapping, transferring property deeds ownership data, computer entry and finally, but most importantly, proper and fair assessment of property is critical to the property tax funding infrastructure that supports local and state governments. Taxing districts, including schools, depend on property tax revenues to fund the invaluable services that they provide to the citizens of Kentucky.

Through our efforts over \$2 Billion dollars in tax revenues are generated annually. A portion of that, around \$350 Million, is generated for state government. To put that in perspective, our state funding level is around \$35 Million, so we roughly generate a state return of investment of \$10 for each \$1 spent. Our state funding is 98.9% personnel, none for operating expenses.

To provide this return, we must have adequate staffing to perform the duties of our office. To prevent wide spread layoffs, we expect to supplement our staff salaries by \$7.5 Million this year out of total operating funds of \$9.4 Million, or stated differently, roughly 80% of our annual operating funds will be sent to Frankfort to pay for our budget shortfall to insure that there will be no massive, state wide layoffs. In turn, tax districts can receive the funding they need to operate.

Not many offices can do so well with so little. But we can't do this forever. Running an office on 20% of its intended operating expense budget is a short term proposition at best. PVA offices must maintain the staffing necessary to produce the quality and consistency of assessments as envisioned by the passage of KERA and demanded by the constitutional and statutory mandates of 100% Fair Cash Value assessment for tax rolls.

We have considered several funding options to obtain a dedicated funding stream. The most logical is to dedicate a portion of the state real property tax rate to fund the property tax system. Let the engine that drives funding for all the taxing districts fund the process that generates the funding system in the first place.

We have actively engaged the legislature over the years and have introduced legislation to this effect. We were successful in obtaining the recommendation to establish a dedicated funding source found in the 2006 HB 272 - Final Report of the Task Force on Local Taxation.

But this is a major change in the way Kentucky conducts its business and up to this point that has simply been too much to take on by itself. We believe that including a dedicated funding source to finance the state property tax system may best be achieved as one aspect of a much larger tax reform effort.

Again, we appreciate the opportunity to discuss this issue with you tonight and stand ready to assist this Commission with any question or concern regarding property tax.